



STATE
REPRESENTATIVE
JIM MCINTIRE

2002 LEGISLATIVE SESSION WRAP-UP

A REPORT
TO THE
46TH LEGISLATIVE
DISTRICT



BALANCING THE BUDGET

The legislative session started with bad news that only got worse as the session progressed. Already declining, Washington's economy was dealt a devastating blow by the September 11th attacks, second in severity only to that of New York. The decline in airline traffic and orders for Boeing planes caused our economy, and our tax revenues, to nose-dive. As a result, we needed to resolve a \$1.5 billion deficit in an \$11.3 billion one-year general fund budget.

I believe we did our best to minimize reductions in essential services and to protect the most vulnerable persons. For example, we were able to restore most of the proposed cuts for nursing homes, preventative children's services (like the Parent Trust hotline), Legal Services, and medical interpreters for non-English speaking patients. Nonetheless, balancing the budget required some tough decisions:

Service Cuts: The budget solution relied heavily on cuts to state services and salaries, reducing state spending by \$680 million. Some of those cuts include temporary park closures, eliminating most of the I-695 backfill, and reduction in health and social services.

Use Emergency Reserves: \$325 million was transferred from the Emergency Reserve Account.

Tobacco Settlement: We will bond against approximately 20% of our anticipated revenues resulting from the tobacco settlement, raising \$450 million. These funds will help replenish the Health Services Account and maintain health care programs during this fiscal crisis. This leaves over \$2 billion of the tobacco dollars in reserve for health care programs.

Revenue Measures: I proposed a bill that would require a review of all tax exemptions, and elimination of those not reauthorized by the legislature. While this bill was not adopted, the legislature did eliminate three exemptions to raise \$27 million.

The state will hire more tax auditors to improve collection of current taxes owed, raising about \$46 million. We also enacted a Big Game Lottery, despite my concerns about whether it will provide the anticipated \$24 million on an ongoing basis.

Tax Increases: Finally, we did not enact any general or selective tax increases to support the general fund, failing at the last minute to enact a 5% liquor tax I proposed to raise \$30 million to close the final budget gap.

PROTECTING FINANCIAL PRIVACY

As Vice Chair of the Financial Institutions and Insurance Committee, I co-sponsored three bills that help protect consumers from the inappropriate use of their personal financial information. I am happy to report that all three were passed:

- **Credit scoring** – insurance companies are prohibited from canceling or refusing to renew your auto or personal insurance based on credit history.
- **Veterans' information** – prohibits releasing the personal information of veterans when they are discharged from service – a practice that has made them vulnerable to identity theft.
- **Dumpster diving** – provides valuable protection against identity theft by requiring all personal financial information to be made "unreadable" before it is disposed of by **any** entity – a major consumer victory!



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TACKLING TRANSPORTATION

Our biggest legislative milestone this session was the passage of a transportation funding package that gives voters the opportunity to invest up to \$16.4 billion to improve our transportation systems over the next ten years.

Statewide: The legislature passed a \$7.7 billion statewide transportation-funding proposal that will be placed on the November ballot. Though I supported this plan, I also voted to adopt it in Olympia so we could get to work on our transportation mess immediately.

If passed by the voters, this measure will raise the gas tax by 9 cents, 5 cents in January 2003 and 4 cents in January 2004, it will add a one cent increase to the sales tax on new and used vehicles, and it will raise truck weight fees by 30 percent over two years.

I received many calls, e-mails and letters expressing the need to fund alternative transportation choices so we reduce our reliance on cars. While I would like to see the proportion even higher, I am pleased to say that \$1.2 billion of this funding is dedicated to these alternatives. Projects include:

- State highway projects, \$5.4 billion, including \$450 million for the Alaska Way Viaduct, \$100 million for HOV lanes on the SR520 bridge, and \$1.77 billion for I-405.
- Local road projects, \$330 million, to be determined by local governments.
- Freight mobility projects, \$116 million, to ensure that goods can get to market on time.

- Ferries, \$686 million, including four new auto ferries.
- Rail improvements, \$294 million, including both passenger and freight.
- Transit assistance, \$600 million, including funding for rural mobility and paratransit.
- Commute-trip reduction, \$220 million, including funding for business incentives, vanpools, and park & ride lots.



Regional: The legislature passed a series of revenue options for King, Snohomish and Pierce counties that would raise an estimated \$8.77 billion over 10 years if fully enacted. These regional revenues can be used for roads of "statewide significance," with up to 10% used for other, related, local roads. The voters must approve all funding, and county council members from all three counties act together, with weighted votes, to develop the plan to be put on the ballot.

This legislation also authorizes the counties to levy up to \$5.1 billion of

Sound Transit's current, unused tax capacity, as long as the proceeds are used for previously authorized projects.

Although I opposed this legislation for its cumbersome planning and governance structure, I will work to see if it can be implemented. If not, I will work to restructure it.

Monorail: Local funding options for the monorail were also adopted, including vehicle and property taxes, as well as sales taxes for rental cars.

EDUCATION FUNDING

MAINTAINING K-12

Many friends of public education have expressed dismay at the \$92 million of reductions in K-12 education programs, and I must agree with them. It is unfortunate that we were not able to find support for the revenues necessary to maintain these programs that are vital to the future of our schools and children.

Some perspective is useful, however, in understanding the legislature's actions. Together, I-728 (smaller class size) and I-732 (teacher salary increases) raised state funding for K-12 last year by over \$700 million – funding that is maintained in the current budget. In addition, we had to add over \$100 million to the K-12 budget this year due to unanticipated enrollment increases. In net, state funding for K-12 will still increase between 2002 and 2003 by 2.3% on a per-student basis, despite the reductions.

Some of the program cuts had a disproportionate impact on Seattle. I worked hard to minimize the impact on Seattle by working to reform other “non-basic education” programs, and will continue to work on these funding formula issues in preparation for next year.

PRESERVING HIGHER EDUCATION

Historically, states often balance their budgets during recessions in part by reducing their support of higher education, shifting more costs to students and their families. Our state was no different this year – overall, the higher education budget was reduced by 4%. As a result, the higher ed budget for the 2001-03 biennium is only 7.4% higher than for the 1999-01 biennium, down from 9.9%.

To help make up for these reductions, colleges and universities were given authority to raise tuition sharply: 16% at the research universities, 14% at the four-year institutions, and 12% at the community and technical colleges.

I worked closely with my seatmate, **Representative Phyllis Kenney**, to minimize these cuts and tuition increases and to ensure that the Promise Scholarship program continues. As Vice Chair of the Capital Budget Committee, I also helped the UW gain approval for innovative ways to use federal research dollars to help fund critically needed research facilities.

OTHER HIGHLIGHTS:

Charitable Donations: Many nonprofit organizations encourage donations by offering donors the option of receiving a “charitable gift annuity” in exchange for a gift of property, stock, cash or other asset. I prime sponsored a bill that makes it easier for nonprofits to meet the reserve requirements for these annuities.

Anti-Bullying Bill: This measure, which I co-sponsored, requires schools to develop policies and training for teachers and administrators to deal with bullying and malicious harassment of students.

Terrorism: I supported several measures to improve planning, preparedness, and communication to deal with the threats of terrorism. I opposed two measures that were ultimately defeated – one that expanded the state's wiretapping laws because I felt it was too broadly written, and one that increased penalties for existing crimes under a newly defined set of “terrorism crimes,” because it was an expansion of the death penalty, which I oppose.

Civil Service Reform: After 14 years of proposals by 3 governors, the legislature passed the first major overhaul of the state's civil service system in 40 years, streamlining the state personnel system and expanding collective bargaining and contracting out of services.

Collective Bargaining: We extended collective bargaining rights to faculty at the four-year and research universities, as well as the teaching and research assistants at the UW.

Drug Sentencing Reform: At the request of prosecutors, police chiefs and law enforcement officials from around the state, penalties for some nonviolent drug offenders were reduced and the resulting savings in jail and prison costs are directed toward treatment and drug courts for these low-risk individuals. This law is “smart on crime.”

Unemployment Insurance Reform: We eased tax burdens for stable employers like Boeing and many retailers, as recommended by the Governor's Competitiveness Council. We also suspended UI tax increases that otherwise would have taken effect automatically – saving hundreds of millions of dollars for Washington businesses.

Parks Funding: State parks and other recreational lands have had difficulty maintaining facilities, and some are now facing temporary closure. I included in the budget a task force to develop recommendations for funding ongoing operations and maintenance. Stay tuned.

Prescription Drug Costs: Drug costs are the fastest growing component of our soaring health care costs. I supported creating a “preferred drug list” – like the ones used by private insurers – for use by physicians and pharmacists providing services under state programs. Doctors, pharmacists and seniors strongly supported this cost effective effort, but the pharmaceutical and biotech industries opposed it as “price control,” and the bill died in the House. We will try again next year.

Trapping Initiative: The Senate passed a bill to overturn I-713, the anti-trapping initiative. While I was willing to modify the initiative to control animals for purposes of public health and safety, I didn't feel it was appropriate to repeal the initiative and the bill died in the House. I do believe, however, that the legislature has not only the right, but the responsibility to modify flawed initiatives.



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LOOKING AHEAD: TAX STUDY COMMITTEE

Last year, the legislature created a Tax Study Committee to examine our tax system and develop alternatives to improve the fairness, adequacy and business climate of our state and local taxes. I was appointed to the committee by Speaker

Frank Chopp. Most of the other members have extensive academic and practical experience with various aspects of tax policy.

The Committee, chaired by William Gates Sr., has been meeting since last fall and anticipates offering its tax alternatives by late November 2002. We are well into our assessment of the current tax system, and our subcommittee on alternatives has been developing a series of options for major structural change. The Committee is not expected to recommend a particular tax or set of tax policies, but to layout options for the Governor and the legislature. All options will be considered.

I am working with other legislators and a variety of community, local government and business leaders to gather ideas for the Committee's alternatives. For those interested in following the work of the Committee, its meetings are filmed by TVW, and most of its working materials can be found on its website: <http://dor.wa.gov/content/wataxstudy/wataxstudy.htm>

Clearly the fiscal challenges of the past session have increased the importance of this Committee. While we do anticipate that our economy and our revenues will begin to recover next biennium, our revenue shortfalls make it imperative that we restructure a system that is failing to meet not only state needs, but the needs of local governments as well. Please feel free to contact me with your thoughts, ideas, and comments.

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